

PUBLIC DISCLOSURE

JANUARY 11, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BOSTON PRIVATE BANK AND TRUST COMPANY

10 POST OFFICE SQUARE
BOSTON, MA 02109

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
--

TABLE OF CONTENTS

I.	General Information	
II.	Institution Rating	
	a. Overall Rating	
	b. Lending, Investment, and Service Test Table.....	
	c. Description of Institution.....	
	d. Conclusions with Respect to Performance Tests.....	
I.	Appendix	
	a. Boston Primary Metropolitan Statistical Area	
	i. Overview and Conclusions with Respect to Performance Tests	
	b. Scope of Examination	

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **BOSTON PRIVATE BANK AND TRUST COMPANY** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **JANUARY 11, 2000**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated " High Satisfactory ".

Boston Private Bank and Trust Company's performance as measured by the Lending, Investment and Service Tests under the Division's CRA regulation warranted a high satisfactory rating. The following summary highlights the results of efforts made by the bank to meet its CRA responsibilities. The bank's record of performance was evaluated within its Performance Context. The Performance Context consists of a description of the bank and a demographic description of its assessment area. Ratings for the Lending, Investment and Service tests, which establish the basis for the institution's overall CRA rating, are shown on page 4. Of these three performance tests, the Lending test is given the greatest weight.

The bank granted 67.1% of its residential mortgages and 63.1% of its small business loans within its assessment area. The geographic distribution of these loans demonstrates a good penetration throughout the assessment area. The bank's percentage of lending to borrowers of low-income far exceeds the aggregate by both the number and dollar amount for 1998. The bank originated 25.0 percent by number and 4.2 percent by dollar amount of its total loans within the assessment area to borrowers of low-income, compared to the aggregate with 4.1 percent by number and 1.8 percent by dollar amount. The bank's small business loan distribution among businesses of different sizes was considered adequate. Boston Private originated 21 loans totaling \$13,061,477 that qualify under the definition of Community Development. This level of community development lending is considered good. The bank employs innovative and flexible lending programs designed to meet the credit needs of low and moderate-income borrowers and small businesses. Boston Private is an active participant in First Time Home Buyer Soft Second Programs, which focus on low- and moderate-income borrowers. The participation in this program enabled the bank to originate a significant number of loans in low- and moderate-income census tracts and to low- and moderate-income borrowers. The bank originated 49.8 percent of its loans for 1998 through year-to-date 1999 in low- and moderate-income census tracts. Fair lending policies and practices were found to be more than reasonable. No discriminatory or other illegal credit practices were noted during this examination.

Under the Investment Test, Boston Private has demonstrated a high level of qualified investments. Boston Private has maintained a high level of investing in MHEF limited partnerships, that resulted in the development of a significant number of affordable housing units. Additionally, the bank continues to make charitable contributions/grants to community organizations. These qualified investments demonstrate the bank's responsiveness to its assessment area's credit and community development needs.

The bank's trustees, officers and employees have provided an exceptional level of service activities primarily for community development purposes and related to the provision of financial services. The Board and management's commitment of resources and expertise to numerous non-profit community development organizations is laudable.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS Boston Private Bank and Trust Company			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X	X	
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

* Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

Boston Private Bank and Trust Company (Boston Private) was established in May 1987 with the mission of becoming a recognized and significant institution in the private banking market throughout New England. Boston Private is the primary operating subsidiary of Boston Private Bancorp, Incorporated. The bank's leading goal is to be the coordinator of a total financial solution for its clients. The bank's approach is to build personal, family and business relationships with its clients by providing multiple financial services and a high level of professional service to individuals and businesses. The bank considers itself to be the only full-service private banking firm in the Boston area offering specialized banking and investment products. As of December 31, 1999, the bank had total assets of \$558,230,000, of which \$451,018,000 or 80.8% constitute gross loans.

The bank's main office is located in Boston's financial district at 10 Post Office Square. In April 1998, the bank opened an office in Wellesley's town center, at 336 Washington Street. The Wellesley branch maintains an Automated Teller Machine (ATM). Customers also have access to over 900 ATMs located within the Greater Boston area through a correspondent relationship maintained with BankBoston for all deposit and withdrawal services. The ATMs are linked to the CIRRUS, NYCE and XPRESS 24 networks.

A variety of loan products, including commercial real estate mortgages, small business administration loans, adjustable rate residential mortgages, fixed rate residential mortgages, construction loans and home equity lines of credit and loans are offered.

Refer to the following table for a complete breakdown of the bank's loan portfolio.

LOAN TYPE	AMOUNT (000s)	PERCENT
Loans Secured by Real Estate:	382,054	84.7
-One to Four-Family Residential Mortgages	277,577	61.5
-Nonfarm Nonresidential	53,553	11.9
-Construction and Land Development	32,327	7.2
-Multifamily (five or more) Residential	18,597	4.1
Commercial Loans	41,586	9.2
Loans to Individuals	12,763	2.8
Other Loans	14,615	3.3
GROSS LOANS	451,018	100.0

Source: December 31, 1999 Call Report

As shown by the data in the table above, residential real estate is the bank's primary form of credit activity. Loans secured by one-to-four family residential property account for approximately 61.5 percent of all outstanding credit. Nonfarm nonresidential loans are next with 11.9 percent, followed by commercial loans with 9.2 percent.

The Commonwealth of Massachusetts and the FDIC performed a concurrent Community Reinvestment Act (CRA) evaluation on September 8, 1997, which resulted in a rating of "Satisfactory".

Description of Assessment Area

Boston Private defines its assessment area as the City of Boston, the Town of Wellesley and the contiguous communities of Brookline, Newton and Weston, which are located within the Boston Metropolitan Statistical Area (MSA). The assessment area is comprised of 206 census tracts. Of these census tracts, 5 or 2.4 percent are designated as NA, 38 or 18.5 percent are low-income, 76 or 36.9 percent are moderate-income, 45 or 21.8 percent are middle-income and 42 or 20.4 percent are upper-income.

The institution expanded its assessment area during 1998 from its previous Boston only area to include the City of Newton, and the towns of Brookline, Wellesley, and Weston. Boston Private added the new communities as a result of the opening of a new branch in the town of Wellesley.

Assessment Area Demographics

According to 1990 US Census Data, these 5 communities have a combined population of 748,401 and a total of 318,985 housing units. Additionally, the assessment area has 293,606 households, of which 158,759 are family households with a median income (weighted average) of \$46,760. Of the total households, 12.6 percent are located in low-income tracts; 36.4 percent are located in moderate-income tracts; 25.4 percent are in middle-income tracts; and 25.6 percent are located in upper-income census tracts. Approximately 14.9 percent of all households in the assessment area are characterized as having incomes below the poverty level.

Of the total housing units, 111,093 or 34.8 percent are owner occupied, 183,005 or 57.4 percent are rental units, and 24,887 or 7.8 percent are vacant housing units. As previously indicated, 36.9 percent of the census tracts in the assessment area are moderate-income. Nearly 36.4 percent of all housing units in the assessment area are located in these tracts. The weighted average median housing value for the assessment area is \$224,094.

Within the bank's assessment area, competition for mortgage originations is intense. Most recent aggregate data indicates that 494 financial entities originated HMDA reportable mortgage loans in calendar year 1998. Total number of originations/purchases made by these lenders in calendar year 1998 was 49,270. The top five lenders within Boston Private's assessment area in 1998 were: Countrywide Home Loans, 1,909 loans/3.9% market share; Fleet National Bank, 1,661 loans/3.4% share; North American Mortgage, 1,637 loans/3.3% share; BankBoston N.A., 1,442 loans/2.9% share; and Bank of America, FSB, 1,407 loans/2.9% share. Boston Private captured 0.6 percent of the market, which ranked it 39th for the same time period.

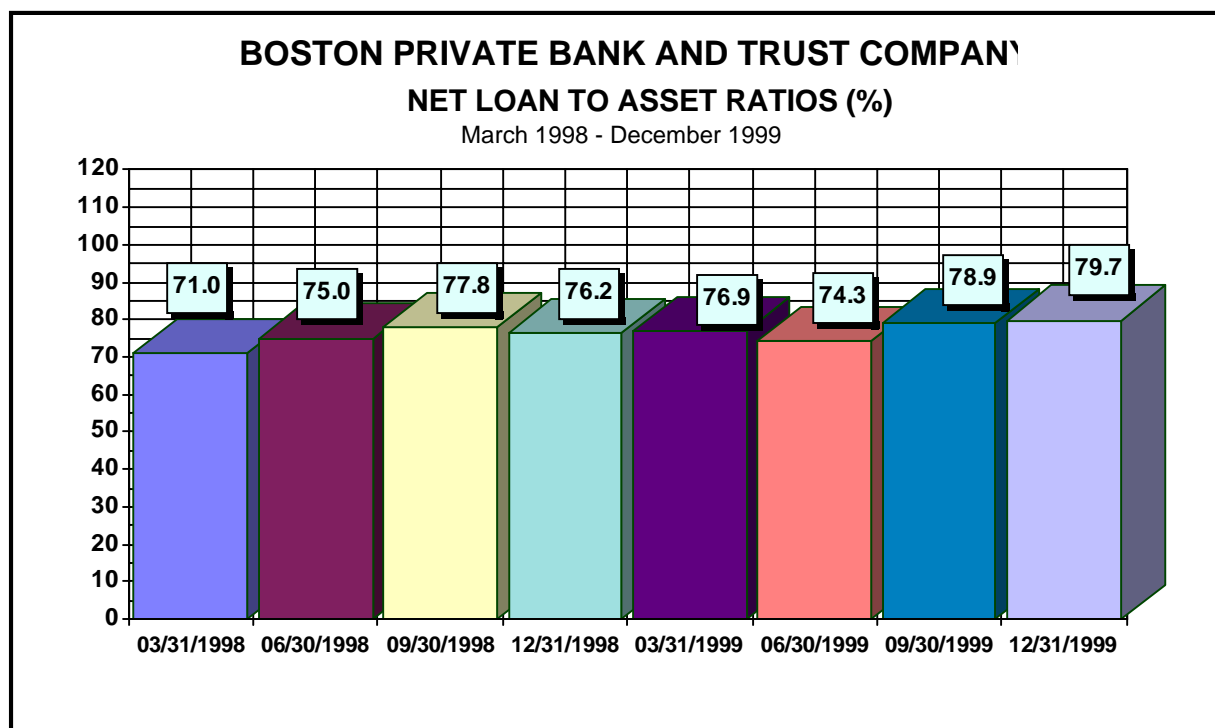
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The lending test evaluates a bank's record of helping to meet the credit needs of its assessment area through its lending activities by considering a bank's home mortgage, small business, small farm and community development lending. The bank's lending performance is determined by factors such as the volume of the institution's loans within its assessment area, particularly to low and moderate-income borrowers and geographies; the amount of small business loans originated to businesses with annual revenues less than \$1 million; the institution's responsiveness to community development lending; and the use of innovative and flexible lending practices. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

I. Lending Activity

The institution has experienced significant and rapid growth since the last examination. Boston Private had total assets of \$558,230,000 as of December 31, 1999. Net loans total \$445,052,000 or 79.7 percent of total assets. Since the previous examination, asset size of the institution has increased by 80 percent while net loans have increased by over 100 percent. As stated previously, lending on one-to-four family residential mortgages remains the primary focus of the institution. The following table indicates the net loan to asset ratios for the last eight quarters.



Source: Quarterly Call Report Data

As shown above, the net loan to asset ratio has grown over the past eight quarters from 71.0 percent to 79.7 percent. During this time period, total assets have grown from \$388,862,000 to \$558,230,000. This represents a 43.5 percent increase in assets over the past two years. Within the same time period, total loans increased from \$276,223,000 to \$445,052,000, representing a 61.1 percent increase. This net loan to asset ratio analysis reveals that lending activity has outpaced asset growth over this time frame. Furthermore, the institution originated 587 HMDA reportable loans during 1998 through November 30, 1999, which compares favorably to the 311 HMDA reportable loans noted in the last CRA performance evaluation which covered two and one-half years.

The institution's Loan-to-Deposit Ratio (109.1%) as of September 30, 1999, was significantly higher than that shown by its peer group (80.7%). Additionally, Boston Private has sold approximately \$14 million of its residential mortgages in the secondary market to enable it to reinvest additional funds into its communities.

Boston Private has a mortgage origination program that works closely with secondary market investors whereby the bank operates in a broker capacity. The institution offers residential loan products through these investors that it is unable to carry in its portfolio. It is important to note that Boston Private initiates and processes all applications to facilitate the originations of these mortgages. These mortgage originations are not recorded on the bank's Loan Application Register because the investor is making the credit decision. Through this program, the bank originated 130 additional mortgages totaling \$29,912,000.

II. Geographic Distribution

HMDA-Reportable Lending

Boston Private's 1998 and year-to-date 1999 (through November 30, 1999) Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. During this period, the bank originated 587 HMDA-reportable loans totaling approximately \$229,773,000. Of this amount, 394 loans, or 67.1 percent of the number, totaling \$121,397,000, or 52.8 percent of the dollar amount, was originated in the bank's assessment area.

Refer to the following tables for additional information regarding the bank's HMDA-reportable lending by both number and dollar amount.

HMDA-Reportable Loans by Number of Originations

Location	1998		1999		Totals	
	#	%	#	%	#	%
Inside Assessment Area	204	68.5	190	65.7	394	67.1
Outside Assessment Area	94	31.5	99	34.3	193	32.9
Total	298	100.0	289	100.0	587	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 11/30/99

HMDA-Reportable Loans by Dollar Amount of Originations

Location	1998		1999		Totals	
	\$ (000)	%	\$ (000)	%	\$(000)	%
Inside Assessment Area	64,310	55.2	57,087	50.4	121,397	52.8
Outside Assessment Area	52,219	44.8	56,157	49.6	108,376	47.2
Total	116,529	100.0	113,244	100.0	229,773	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 11/30/99

As indicated in the above tables, the majority of the loans were originated inside the bank's assessment area. Of the total loans originated within the assessment area, 79.2 percent were for conventional home purchases, 18.0 percent were refinances, 1.5 percent were for home improvement and 1.3 percent were for multifamily dwellings.

An analysis of loan originations inside the assessment area indicates that the bank penetrated all the communities within the assessment area.

Boston Private is an active participant in First Time Home Buyer Soft Second Programs, which focus on low- and moderate-income borrowers. Participation in this program allows the bank to report both the first and second mortgage originations separately. While both loans count as originations, it is important to note that loans originated under these programs inflate the number of originations to low- and moderate-income borrowers. Of the 394 originations inside the assessment area, 48.7 percent of the originations are

related to the program. In 1998, the program accounted for 100 originations, while in 1999 the program accounted for 92 originations.

Based on the above information, it is evident the bank has made an effort to meet the credit needs of its assessment area as demonstrated by its level of HMDA-reportable lending.

Small Business Lending

Boston Private's 1998 and year-to-date 1999 (through December 3, 1999) Small Business Loan Registers (SBLRs) were also reviewed to determine the amount of credit extended within the assessment area. The bank originated 195 small business loans totaling approximately \$42,918,000 during this period. A total of 123 loans, totaling \$24,230,000, were originated to businesses within the bank's assessment area, representing 63.1 percent by number and 56.5 percent by dollar amount. Refer to the following tables for details.

Small Business Loans by Number of Originations

Location	1998		1999		Totals	
	#	%	#	%	#	%
Boston	51	47.7	45	51.1	96	49.2
Wellesley	4	3.7	4	4.6	8	4.1
Brookline	1	0.9	3	3.4	4	2.1
Newton	9	8.4	6	6.8	15	7.7
Weston	0	0.0	0	0.0	0	0.0
Inside Assessment Area	65	60.7	58	65.9	123	63.1
Outside Assessment Area	42	39.3	30	34.1	72	36.9
Total	107	100.0	88	100.0	195	100.0

Source: Small Business Loan Registers for the period 1/1/98 to 12/03/99

Small Business Loans by Dollar Amount of Originations

Location	1998		1999		Totals	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
Boston	8,816	38.0	8,757	44.5	17,573	41.0
Wellesley	413	1.8	1,396	7.1	1,809	4.2
Brookline	100	0.4	450	2.3	550	1.3
Newton	2,420	10.4	1,878	9.5	4,298	10.0
Weston	0	0.0	0	0.0	0	0.0
Inside Assessment Area	11,749	50.6	12,481	63.4	24,230	56.5
Outside Assessment Area	11,480	49.4	7,208	36.6	18,688	43.5
Total	23,229	100.0	19,689	100.0	42,918	100.0

Source: Small Business Loan Registers for the period 1/1/98 to 12/03/99

As indicated above, the majority of loan originations were within the City of Boston. Boston accounted for approximately 49.2 percent by number and 41.0 percent by dollar amount of the small business loan originations within the assessment area.

The overall percentage of lending inside the assessment area for both residential and small business loans is considered to be adequate.

Distributions by Census Tract Income Level

HMDA-Reportable Lending

The HMDA-reportable loans located within the bank's assessment area were further analyzed to determine their location by census tract income level. The assessment area is comprised of 206 census tracts. Of these census tracts 5 or 2.4 percent are designated as NA; 38 or 18.5 percent as low-income; 76 or 36.9 percent as moderate-income; 45 or 21.8 percent as middle-income; and 42 or 20.4 percent as upper-income.

The following tables provide a breakdown by number and dollar amount of the bank's HMDA-reportable loans by census tract income level. The tables also show the loans in comparison to the number of owner-occupied housing units in each of the census tract income categories.

Distribution of HMDA-Reportable Loans by Census Tract Income Level

Census Tract Income Level	Owner-Occupied Properties		1998		1999		Total	
	#	%	#	%	#	%	#	%
Low	4,377	3.9	18	8.8	20	10.5	38	9.7
Moderate	30,655	27.6	84	41.2	74	38.9	158	40.1
Middle	33,099	29.8	24	11.8	21	11.1	45	11.4
Upper	42,962	38.7	78	38.2	75	39.5	153	38.8
Total	111,093	100.0	204	100.0	190	100.0	394	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 11/30/99

Dollar Volume of HMDA-Reportable Loans by Census Tract Income Level

Census Tract Income Level	Owner-Occupied Properties		1998		1999		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
Low	4,377	3.9	1,436	2.2	1,954	3.4	3,390	2.8
Moderate	30,655	27.6	8,294	12.9	8,309	14.6	16,603	13.7
Middle	33,099	29.8	5,968	9.3	2,634	4.6	8,602	7.1
Upper	42,962	38.7	48,612	75.6	44,190	77.4	92,802	76.4
Total	111,093	100.0	64,310	100.0	57,087	100.0	121,397	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 11/30/99

As shown in the above tables, 49.8 percent of the bank's total loans for 1998 to year-to-date 1999 were within low and moderate-income census tracts. It should be noted that only 31.5 percent of the area's owner-occupied properties are located within low and moderate-income census tracts. Again, it is also important to note that the bank's active participation in the soft second mortgage program has had a significant positive impact on the percentage of originations in low- and moderate-income census tracts.

The geographic distribution of the bank's loans by census tract income category may also be compared to that of all other HMDA-reporting lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1998 and is presented in the following table.

Lending Within the Assessment Area by Census Tract Income Level
Boston Private Bank and Trust Company Compared to All Other HMDA Reporters

Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Boston Private Bank and Trust Company		*All Other Reporters		Boston Private Bank and Trust Company		*All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	18	8.8	1,705	4.6	1,436	2.2	274,154	3.6
Moderate	84	41.2	9,781	26.6	8,294	12.9	1,378,945	18.3
Middle	24	11.8	10,397	28.3	5,968	9.3	1,876,887	25.0
Upper	78	38.2	14,860	40.4	48,612	75.6	3,985,794	53.0
NA	0	0.0	2	0.1	0	0.0	13	0.1
Total	204	100.0	36,745	100.0	64,310	100.0	7,515,793	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 12/31/98.

*CRA Wiz

As demonstrated above, the percentage of the bank's lending activity in low- and moderate-income census tracts, by number (50.0%) exceeds that of the aggregate (31.2%). However, originations by dollar volume in the same census tracts fall below that of the aggregate. This can be attributed to the bank's participation in the soft

second programs whereby the second mortgage originations tend to be for small amounts thereby reducing origination amounts.

In 1998, Boston Private Bank and Trust Company ranked 38th in market share for lending in low- and moderate-income census tracts within its assessment area. The bank originated 138 HMDA-reportable loans in these census tracts, representing 0.8 percent of the market.

Small Business Lending

Boston Private's small business loans were also analyzed to determine the distribution by census tract income level within its assessment area. The following tables depict this distribution by both number and dollar amount.

Distribution of Small Business Loans Area by Census Tract Income Level

Census Tract Income Level	1998		1999		Total	
	#	%	#	%	#	%
Low	4	6.1	5	8.6	9	7.3
Moderate	8	12.3	6	10.3	14	11.4
Middle	5	7.7	3	5.2	8	6.5
Upper	48	73.9	44	75.9	92	74.8
Total	65	100.0	58	100.0	123	100.0

Source: Small Business Loan Registers for the period 1/1/98 to 12/03/99

Dollar Volume of Small Business Loans Area by Census Tract Income Level

Census Tract Income Level	1998		1999		Total	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
Low	360	3.1	428	3.4	788	3.2
Moderate	1,370	11.6	1,553	12.5	2,923	12.1
Middle	513	4.4	747	6.0	1,260	5.2
Upper	9,506	80.9	9,753	78.1	19,259	79.5
Total	11,749	100.0	12,481	100.0	24,230	100.0

Source: Small Business Loan Registers for the period 1/1/98 to 12/03/99

As shown above, the bank originated 18.7 percent of the number of small business loans in low- and moderate-income census tracts. The dollar volume represents 15.3 percent in those tracts. The majority of the loans were extended to businesses in upper-income census tracts. It should be noted that Boston Private has only one branch location in the City of Boston, which includes all the low- and moderate-income census tracts in the assessment area. Thus, the distribution of the bank's small business lending by census tract income levels is considered more than adequate.

Given the level of competition in the assessment area, the bank's level of HMDA-reportable lending as compared to the aggregate, as well as the distribution of small business lending in low- and moderate-income census tracts is considered good.

III. Borrower Characteristics

HMDA-Reportable Lending

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston Metropolitan Statistical Area (MSA). These income figures (\$60,000 for 1998, and \$62,700 for 1999) are based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median family income for the MSA. Upper-income is defined as income equal to or greater than 120 percent of the median family income for the MSA.

The following table shows the number of HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the number of family households in the assessment area in each respective income group.

Distribution of HMDA-Reportable Loans to Borrowers of Different Income Levels

Borrower Income Level	Family Households		1998		1999		Total	
	#	%	#	%	#	%	#	%
< 50%	45,915	28.9	51	25.0	67	35.3	118	30.0
50 - 79%	28,850	18.2	50	24.5	28	14.7	78	19.8
80 - 119%	31,338	19.7	6	3.0	9	4.7	15	3.8
> = 120%	52,656	33.2	88	43.1	82	43.2	170	43.1
NA	0	0.0	9	4.4	4	2.1	13	3.3
Total	158,759	100.0	204	100.0	190	100.0	394	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 11/30/99

Dollar Volume of HMDA-Reportable Loans to Borrowers of Different Income Levels

Borrower Income Level	Family Households		1998		1999		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
< 50%	45,915	28.9	2,722	4.2	3,908	6.8	6,630	5.5
50 - 79%	28,850	18.2	2,881	4.5	2,313	4.1	5,194	4.3

80 - 119%	31,338	19.7	479	0.8	1,323	2.3	1,802	1.5
> = 120%	52,656	33.2	53,120	82.6	46,086	80.7	99,206	81.7
NA	0	0.0	5,108	7.9	3,457	6.1	8,565	7.0
Total	158,759	100.0	64,310	100.0	57,087	100.0	121,397	100.0

Source: HMDA/LAR Data for the period 1/1/98 to 11/30/99

From 1998 to year-to-date November 30, 1999, the bank extended a total of 196 loans to low- and moderate-income borrowers representing 49.8 percent by number, and 9.8 percent by dollar amount of total loans originated inside the assessment area

The distribution of the bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. As previously mentioned, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 1998 and is presented in the following table.

**Lending Within the Assessment Area to Borrowers of Different Income Levels
Boston Private Bank and Trust Company Compared to All Other HMDA-Reporters**

Borrower Income Level	Number of Loans				Dollar Amount of Loans			
	Boston Private Bank and Trust Company		*All Other Reporters		Boston Private Bank and Trust Company		*All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
< 50%	51	25.0	1,488	4.1	2,722	4.2	133,512	1.8
50 - 79%	50	24.5	4,350	11.8	2,881	4.5	441,824	5.9
80 - 119%	6	3.0	6,834	18.6	479	0.8	888,135	11.8
> = 120%	88	43.1	16,611	45.2	53,120	82.6	4,026,079	53.6
NA	9	4.4	7,462	20.3	5,108	7.9	2,026,243	26.9
Total	204	100.0	36,745	100.0	64,310	100.0	7,515,793	100.0

Source: HMDA Data for the period 1/1/98 to 12/31/98. *CRA Wiz

The distribution of the bank's residential loans to low-income borrowers is favorable when compared to that of all other HMDA-reporters within the assessment area. As shown above, the bank's percentage of lending to borrowers of low-income far exceeds the aggregate by both number and dollar amount for 1998. The bank originated 25.0 percent by number and 4.2 percent by dollar amount of its total loans within the assessment area to borrowers of low-income, compared to the aggregate with 4.1 percent by number and 1.8 percent by dollar amount. HMDA-reportable loans to moderate-income borrowers represents 24.5 percent by number and 4.5 percent by dollar amount. Compared to the

aggregate with 11.8 percent by number and 5.9 percent by dollar amount, the bank's performance is noteworthy.

Again, it should be noted that loans originated by Boston Private under the First Time Home Buyer Soft Second Programs inflate the number of originations to low- and moderate-income borrowers. Institutions that participate in these programs may also report their first and second mortgage originations separately. However, the total number of originations under these programs has an insignificant effect on aggregate data reporting. Conversely, because the vast majority of originations to low- and moderate-income borrowers by Boston private are initiated through these programs, there is a significant impact on the institution's percentages.

An analysis of the effect of the soft second program originations revealed that without the inclusion of the second mortgages, the bank's performance would still outpace the aggregate by significant amounts on a percentage basis. Thus, the distribution of HMDA-reportable lending by borrower income in comparison to the family income demographics and the aggregate is considered very good.

Small Business Lending

The small business loans originated within the bank's assessment area from 1998 through December 3, 1999 were further analyzed to determine the loan amount at origination. The majority of the loans originated during this period had original loan amounts of \$100,000 or less. The following tables depict the distribution of small business loans within the bank's assessment area by loan amount at origination.

Number of Small Business Loans by Amount at Origination

Loan Amount	1998		1999		Total	
	#	%	#	%	#	%
< = \$100,000	38	58.5	28	48.3	66	53.7
> \$100,000 and < = \$250,000	13	20.0	17	29.3	30	24.4
> \$250,000	14	21.5	13	22.4	27	21.9
Total	65	100.0	58	100.0	123	100.0

Source: Small Business Loan Registers for the period 1/1/98 to 12/03/99

Dollar Volume of Small Business Loans by Amount at Origination

Loan Amount	1998		1999		TOTAL	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
< = \$100,000	2,421	20.6	1,727	13.8	4,148	17.1
> \$100,000 and < = \$250,000	2,268	19.3	2,977	23.9	5,245	21.7
> \$250,000	7,060	60.1	7,777	62.3	14,837	61.2
Total	11,749	100.0	12,481	100.0	24,230	100.0

Source: Small Business Loan Registers for the period 1/1/98 to 12/03/99

Boston Private originated a majority of its small business loans in amounts of \$100,000 or less. Although the dollar volume constitutes a much smaller portion of total loans, it is an indication that the bank is willing to meet the credit needs of small businesses by granting loans of small amounts.

The small business loans originated within the bank's assessment area during this period were also analyzed to determine the distribution among businesses of various sizes. The following tables depict the distribution of business loans within the bank's assessment area by revenues of the business.

Number of Small Business Loans by Revenue Size of Business

Annual Business Revenues	1998		1999		Total	
	#	%	#	%	#	%
< = \$1,000,000	34	52.3	28	48.3	62	50.4
> \$1,000,000	31	47.7	30	51.7	61	49.6
Total	65	100.0	58	100.0	123	100.0

Source: Small Business Loan Registers for the period 1/1/98 to 12/03/99

By number, 50.4 percent of the loans were extended to businesses that had annual revenues less than or equal to \$1 million while 49.6 percent were extended to businesses that had annual revenues greater than \$1 million. This represents a proportionate distribution of lending to businesses of different revenue sizes.

Dollar Volume of Small Business Loans by Revenue Size of Business

Annual Business Revenues	1998		1999		Total	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
< = \$1,000,000	2,766	23.5	5,134	41.1	7,900	32.6
> \$1,000,000	8,983	76.5	7,347	58.9	16,330	67.4
Total	11,749	100.0	12,481	100.0	24,230	100.0

Source: Small Business Loan Registers for the period 1/1/98 to 12/03/99

By dollar volume, the vast majority of loans granted were to businesses with annual revenues exceeding \$1,000,000. It would be reasonable to expect that the dollar volume to businesses with \$1,000,000 or more in annual gross revenues would be significantly higher since businesses with higher annual gross revenues would qualify for larger loan amounts. Therefore, analyzing the breakdown by revenue size of the business is more appropriate based on the number of loans. However, the breakdown by dollar volume of small business loans by revenue size is presented for informational purposes.

Boston Private Bank's performance relating to the distribution of lending to borrowers of different income levels and small businesses of different sizes is deemed to be very good. The bank significantly exceeded the aggregate performance level for HMDA reportable loans for 1998 and has continued to maintain lending levels in 1999.

Additionally, Boston Private originated a majority of its small business loans in amounts of \$100,000 or less, indicating a willingness and effort to extend loans to smaller businesses. A majority of the bank's small business loans were also originated to businesses with gross annual revenues of \$1,000,000 or less.

IV. Community Development Lending

As defined in the revised CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reportable as a home mortgage or small business loan.

During the exam period, Boston Private originated 21 loans that qualify under the definition of Community Development, totaling \$13,061,477. This level of community development lending is considered good considering the size and focus of the institution. The following are some of the bank's qualified community development loans, which were made during the period reviewed.

Veterans Benefits Clearinghouse

The bank granted a \$1,938,546 loan to a non-profit organization to construct 36 units of very low-income housing in Roxbury.

Massachusetts Housing Investment Corporation (MHIC)

The bank granted a \$300,000 loan to MHIC. The loan fund assists in the creation and preservation of hundreds of high quality, affordable housing units across Massachusetts.

Affordable Housing Development and Preservation

Erie-Ellington Homes: The bank extended a \$1,000,000 construction loan for the construction of 50 new affordable rental units. This project is part of the City of Boston's affordable housing initiative.

Villa Michelangelo: The bank extended a \$250,000 line of credit for the rehabilitation of a former public school into 71 apartments. These apartments will house the low-income elderly in the North End section of Boston.

Pheonix Realty Trust: The bank extended a \$269,500 line of credit for the renovation of 3 deteriorated properties. The properties are to be sold to first time homebuyers as part of the Massachusetts Housing Partnership Fund Soft Second Program.

Community/Economic Development

Charles River Association of Retarded Citizens: This is a nonprofit organization that services mentally retarded individuals. The organization provides day and residential services. The federal and state funded programs and facilities primarily serve low and moderate-income individuals. A line of credit for \$1,100,000 was granted to this organization.

Child Care Capital Initiative Fund: This is a nonprofit, quasi-public agency which uses pooled financing to fund child care programs serving low and moderate income families across Massachusetts. Special FHLBB below-market financing was made available. A term note of \$250,000 was granted to this organization.

RJRB Corporation: This corporation made an acquisition of property to be developed as part of the Blue Hill Avenue initiative in the Roxbury section of Boston. The property will be developed into commercial space and a child care center. A term note of \$51,500 was granted for this acquisition.

Ten Point Coalition: This nonprofit organization serves the needs of low-income, minority areas by focusing particularly on the needs of low-income youth. A term note of \$15,000 was granted to this organization.

Academy of the Pacific Rim Charter School: This charter school, located in the Hyde Park section of the City of Boston, made an expansion to increase enrollment from the 6th to the 12th grade. This charter school primarily serves children from low and moderate- income families. The total for the term note and line of credit was \$300,000.

Bridge Over Troubled Waters: This nonprofit organization serves homeless youth. A line of credit of \$200,000 was granted to this organization.

Benjamin Banneker Charter School: This charter school serves children who primarily come from low and moderate-income families with a focus on serving African-American children. A line credit of \$250,000 was granted to this school.

760 Adams Street Realty Trust: Loan proceeds were for renovations at retail, office and restaurant space in Adams Village located in the Dorchester section of Boston. These renovations were a complex economic development project with SBA/FEMA subordinated mortgages. The City of Boston has given a cash guarantee of \$30,000. A term loan was granted for \$495,000.

V Innovative or Flexible Lending Products/Practices

Boston Private offers numerous residential lending products designed specifically to promote home ownership for low- and moderate-income borrowers. These mortgage products offer a variety of flexible terms and underwriting criteria, reduced costs, and below market interest rates. The specific products and terms are discussed below.

- Community Homeowner I Program for low-income borrowers – The bank participates in this program with the Commonwealth of Massachusetts, the City of Boston, and the Federal Home Loan Bank. Borrowers must earn less than 50% of the median family income to be eligible. The borrowers are offered 50 basis points below the standard 2 point, 30 year fixed rate mortgage. The program offers a 30 year fixed rate with no points, reduced closing costs, and flexible underwriting terms. During 1998 and year-to-date 1999, the bank originated 128 mortgages, including the soft second mortgages, totaling \$7,141,206 under this program.
- Community Homeowner I Program for moderate-income borrowers – This program has identical traits of that discussed above. However, participants must earn between 50% and 80% of the median family income. During this period, Boston Private originated 64 mortgages, including the soft second mortgages, totaling \$3,996,355.
- Community Homeowner II Program – Participation in this program is offered by the Neighborhood of Affordable Housing and the Neighborhood Housing Services of America, in conjunction with the City of Boston. The program offers generally below market fixed interest rates for terms of up to 30 years. Although the maximum loan-to-value (LTV) is 80%, borrowers can also obtain a simultaneous second mortgage for up to 120% LTV from one of the aforementioned housing agencies. Eight mortgages totaling \$847,000 were originated through this program during this period.
- Community Homeowner III Program – This program was developed in-house to provide housing for first-time homebuyers. Boston Private offers generally below market interest rates for a term of 30 years and very flexible underwriting standards. Some of the borrowers receive closing cost assistance from the City of Boston. The bank has originated 34 loans totaling \$3,984,460.
- City of Boston Homeworks – Eligible borrowers must earn less than 100% of the median family income. Through this program the borrowers receive home improvement loans at below market fixed interest rates for 1-15 years. The City of Boston matches the home improvement loan funds received from the institution.

Boston Private offers the following various flexible loan products which adequately address the needs of borrowers within its assessment area:

Boston Soft Second Homeownership Loan Program: The bank works in conjunction with the Massachusetts Affordable Housing Alliance, the Massachusetts Housing Partnership Fund, the City of Boston and the Commonwealth of Massachusetts to make available below-market financing to borrowers earning less than 80 percent of the area median income based on household size. Under the program, the bank offers long-term, fixed rate, reduced cost mortgages and uses flexible underwriting standards. No private mortgage insurance is required. Buyers that qualify must attend approved homebuyer

education training. In 1998, the bank originated 100 loans totaling \$5,439,100. In 1999, the bank originated 92 loans totaling \$5,698,461.

Neighborhood of Affordable Housing/Neighborhood Housing Services of America:

This program is in conjunction with the Neighborhood Office of Affordable Housing (NOAH) and Neighborhood Housing Services of America (NHSA). This program enables individuals to acquire or rehabilitate their homes at below market rates, depending on income eligibility. The property must be located in East Boston, a primarily low and moderate-income neighborhood of Boston, where NOAH is based. NOAH works closely with the homeowners in counseling and assisting them through the financing process. Upon origination, the loans are sold to NHSA. In 1998, the bank originated 3 loans totaling \$257,900. In 1999, the bank originated 5 loans totaling \$589,100.

Targeted HomeOwner Program: In 1998, the bank originated 17 loans totaling \$1,963,250. In 1999, the bank originated 17 loans totaling \$2,021,210.

City HomeWorks Program: The bank works in collaboration with the City of Boston Department of Neighborhood Development on the Boston HomeWorks program. A Boston homeowner earning up to \$65,000 annually is eligible to receive a grant up to one-third of the cost of an approved home improvement project. The bank provides a reduced cost home equity loan with a term of 1 to 15 years using flexible underwriting standards. The loan is secured by a second mortgage on the home and requires an 80 percent loan to value ratio. Since introducing the program in 1999, the bank originated 4 loans totaling \$36,700.

First Time HomeBuyers Program: Prior to offering the Community Homeowner Programs, the bank offered the First Time Home Buyer Program. In 1998, 100 loans involving 50 borrowers were originated totaling \$5,439,100. In 1999, 92 loans involving 46 borrowers were originated totaling \$5,698,461. These borrowers were also involved in the Soft Second Program. Other First Time Home Buyer Programs originated 20 loans in 1998 and 22 loans in 1999.

Community Investment Program (CIP): Under the CIP program, the bank gets a lower rate from the FHLBB and in turn lends out the money (at a lower rate than it would normally charge) to nonprofit organizations that serve low- to moderate-income individuals. The bank has written several CIP applications for low interest loans to support community investment projects. The bank has utilized this program to finance the Child Care Capital Initiative Fund.

VI. Fair Lending Policies and Practices

Detailed below is the bank's fair lending performance as it correlates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. Boston Private has a specific Fair Lending Policy, which was most recently reviewed and approved on December 15, 1999.

Staff Training

Boston Private has conducted six Compliance and CRA training courses since the last examination. The titles of these classes included “Regulatory Compliance Training” and “Community Reinvestment Act Training”. Another class consisted of the viewing of a CRA video titled “Holding Ground”. This one-hour documentary shows how committed residents, activists, and city officials of a Boston neighborhood are able to create and carry out their own agenda for change.

Included in the above were three CRA training courses and tours for bank employees and board members. The tours included community development lending sites, which covered a range of properties in Boston’s neighborhoods for which loans have been committed or closed. The tour was designed to familiarize employees with bank efforts and involvement in key community development activities including affordable housing development, affordable home mortgage lending, small business and economic development, and neighborhood revitalization and stabilization.

Staff Composition and Compensation

As of the examination date, the bank employs 1 part-time employee and 134 full-time employees. There are 22 minority employees. The bank employs several bilingual employees. Languages spoken include Spanish, Chinese (Cantonese and Mandarin) and Vietnamese.

Boston Private has four mortgage loan originators. Each receives a base salary plus an incentive bonus. Incentives are based on the qualification of CRA loans. Therefore, the compensation structure neither encourages nor discourages the origination of loans of any size.

Outreach

Outreach efforts are detailed under the Service test. The specifics of this examination are detailed in the Service section of the report. Additional outreach efforts are made through sponsorships and meetings with various groups and organizations throughout the assessment area.

Credit Products and Underwriting Standards

Boston Private offers a First Time HomeBuyers Program and a Boston Soft Second Homeownership Loan Program, which are both detailed in the Lending section of the exam.

Marketing

Boston Private has a formal marketing plan which utilizes newspaper advertising to inform all segments of the assessment area, including low and moderate-income and minority individuals, about the bank’s products and services. Newspapers used to

advertise the bank's First Time Homebuyers and Small Business programs include Asian-American Times, Banker & Tradesman, Bay State Banner, Charlestown Patriot, El Mundo and People's Choice as well as Tribune Publications the Dorchester Argus, Hyde Park/Mattapan, Jamaica Plain Citizen, South Boston Tribune and East Boston Times.

Credit Education

In 1998, the bank conducted 23 First Time Home Buyer seminars. The majority of these seminars were conducted in East Boston, Roxbury and Dorchester. There were bilingual seminars, which included Vietnamese and Spanish speaking participants.

In 1999, the bank conducted 15 First Time Home Buyer seminars. Most of these seminars were conducted in conjunction with the Metropolitan Boston Housing Partnership. Many of the First Time Home Buyer seminars also included counseling programs. One of these seminars provided 14 deaf First Time Home Buyers with pre-qualification and one-on-one counseling.

Counseling

The bank refers all loan customers whose home loan is delinquent to credit counseling services available in the area. These credit-counseling services are approved by the Federal Department of Housing and Urban Development (HUD). A list of HUD approved Housing Counseling Agencies containing names, addresses and phone numbers is mailed to the borrower. In addition, the bank makes ongoing and thorough efforts to counsel applicants through the application process, especially for CRA-eligible loans.

Second Review Practices

All denied residential and commercial loan applications, related to minority and low and moderate-income applicants or census tracts, undergo an independent internal loan review process prior to the issuance of a formal adverse action notice.

The lending officer is required to contact the bank's CRA Officer upon initial determination of a pending adverse action for CRA-eligible loans. The CRA Officer coordinates the "Second Look Committee" to ensure compliance with fair lending laws and regulations. This committee includes the President of the bank, a board member, the senior commercial lending officer, the senior mortgage lending officer, and the CRA officer.

Internal Control Procedures

Boston Private engages the services of an outside auditing firm to ensure fair lending compliance. Additionally, the bank has instituted internal monitoring procedures to ensure accurate HMDA reporting. These procedures consist of a closing representative who completes a HMDA input sheet for each loan. This form is reviewed for accuracy during a post-closing audit. The HMDA input sheet is then given to the bank officer in charge of the

HMDA reporting. Each month the HMDA report is reviewed by the bank officer for accuracy and compared to the internal pipeline.

Minority Application Flow

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. From January 1, 1998, through November 30, 1999, the bank received 722 residential loan applications from within its assessment area. During this period, 221 applications, or 30.6 percent, were received from minorities. Refer to the following table for further details.

APPLICATION FLOW

Race	1998		1999		Total	
	#	%	#	%	#	%
American Indian	0	0.0	0	0.0	0	0.0
Asian	12	3.3	16	4.5	28	3.9
Black	50	13.7	58	16.2	108	15.0
Hispanic	41	11.2	25	7.0	66	9.1
Other	13	3.6	6	1.7	19	2.6
Total Minority	116	31.8	105	29.4	221	30.6
White	239	65.5	242	67.8	481	66.6
No Information	10	2.7	10	2.8	20	2.8
Total	365	100.0	357	100.0	722	100.0

The bank's minority application flow for this period was compared with the racial make-up of the assessment area and 1998 aggregate data for all HMDA reporters within the assessment area. According to 1990 Census Data, the bank's assessment area contained a total population of 748,401 individuals, of which 33.8 percent are minorities. The minority population consists of 0.2 percent American Indian, 5.3 percent Asian, 18.9 percent Black, 8.5 percent Hispanic and 0.8 percent Other minorities. According to 1998 aggregate data, other HMDA-reporting lenders making loans within the bank's assessment area extended 16.2% of their applications to minority borrowers compared to the bank at 30.6%. The above data indicates that the bank has extended residential

mortgage loans at a rate that is consistent with the demographic makeup of its assessment area and better than that of other HMDA-reportable lenders.

VII. Loss of Affordable Housing

The bank's participation in community development projects and government lending programs, along with its development of credit products with flexible lending criteria has assisted low and moderate-income individuals to remain in their neighborhoods.

CONCLUSION (Lending Test)

Taking into account the number and amount of home mortgage and small loans originated in its assessment area, Boston Private has demonstrated a very good responsiveness to credit needs. A high majority of the bank's loans are made within its assessment area, and are adequately distributed throughout its geographies, particularly within low and moderate-income census tracts. The bank's lending also demonstrates a very good distribution of loans among individuals of different income levels and businesses of different sizes. The bank has demonstrated an established record of serving the credit needs of highly economically disadvantaged areas in its assessment area, low- and moderate-income individuals and businesses with gross annual revenues of \$1 million or less. The institution has granted a good level of community development loans. In addition, the bank's fair lending performance was found to be more than reasonable at this time. Therefore, the institution's lending performance receives an overall rating of High Satisfactory.

INVESTMENT TEST

COMMUNITY DEVELOPMENT INVESTMENTS

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination.

QUALIFIED INVESTMENTS

Boston Private has invested in a variety of qualified investments, generally through the provision of direct equity investments and grants. Many of the bank's direct equity investments involve affordable housing development, through local housing corporations and limited partnerships. Many of Boston Private's investments are directed at Boston's inner city, low- and moderate-income and minority neighborhoods. The bank is involved in the Massachusetts Housing Equity Fund (MHEF), which provides affordable housing in the Greater Boston Area. The bank also has a corporate giving plan under which funds are granted to various community organizations identified through the

bank's community outreach efforts. Detailed below are the qualified investments provided by the institution.

Direct Equity Investments

Massachusetts Housing Equity Fund (MHEF)

The Massachusetts Housing Investment Corporation (MHIC) is a non-profit corporation created in 1990 by banks in Massachusetts to help expand the financing of affordable housing in low- and moderate-income communities throughout the state. Financing of projects includes equity financing through the sale of limited partnership interests in projects eligible for low income housing tax credits. These equity investments are made through the Massachusetts Housing Equity Fund under Massachusetts Housing Equity Fund, Inc. (MHEF), an MHIC subsidiary. MHEF is the general partner and individual financial organizations in Massachusetts serve as limited partners in the equity fund partnership. Each limited partner purchases investment units (i.e. one unit for \$1,420,000) in the partnership and enters into an installment agreement obligating the partner to pay the unit commitment to the partnership over an eight-year period. In return the partnership invests the funds in various low-income housing improvement projects to derive tax benefits for the partners. Each year a new partnership fund is created and the bank may elect to make a new commitment payable over a seven or eight year period. Through participation in this fund the bank has specified that investments be limited to partnerships whose investments will be targeted to the Boston metropolitan area. Since the last examination, Boston Private has continued to support MHIC by committing \$710,000 in new equity to MHEF in 1999. This commitment brings Boston Private's total equity investment in MHIC to more than \$2,130,000. Thus far, the bank has contributed \$355,000 to the fund.

The following table shows the number of partnership units purchased by the bank for each fund year and share of the overall fund.

<i>Partnership Fund</i>	Number of Partnership Units Purchased	Share of Partnership Fund
1996	.5	2.1%
1997	.5	1.5%
1999	.5	2.6%

PARTNERSHIP FUNDS, COMMITMENTS AND ADVANCES

MHEF '96 LP

Boston Private committed \$710,000 to MHEF '96 with \$75,000 advanced by the end of 1997. During the review period the bank advanced an additional \$172,500 for a total to date of \$247,500.

MHEF '97 LP

The MHEF '97 received a \$710,000 commitment from the bank with \$97,500 advanced during the period under review for a total to date of \$97,500.

MHEF '99 LP

During the time period covered by this examination, Boston Private committed \$710,000 to MHEF '99 with \$10,000 having been advanced.

MASSACHUSETTS HOUSING EQUITY FUND		
PARTNERSHIP FUND	COMMITMENT	ADVANCES
MHEF '96 LP	*	\$247,500**
MHEF 97 LP	*	\$172,500**
MHEF 99 LP	\$710,000	\$10,000
TOTAL	\$710,000	\$430,000

* Credit for commitments received in prior examination

** Advances on prior commitments

As the table above indicates, the total commitment made during the review period is \$710,000. The total advances, on commitments made prior to the review period, is \$420,000. Advances on commitments made during the examination period are \$10,000. The total amount considered as qualified investments under the MHEF LP program for this examination is \$1,140,000.

Other qualified investments

Boston Community Capital/Loan Fund (BCLF)/Venture Fund - \$200M

The BCLF, an affiliate of Boston Community Capital, was established as a non-profit organization in 1985 to lend funds on a secured basis to community organizations for building community development projects in low-income communities. BCLF received a Community Development Financial Institution (CDFI) designation in 1995. In 1999 Boston Private converted its \$100,000 subordinated low-interest loan to BCLF to an equity equivalent investment.

In 1998 the bank invested in the Boston Community Venture Fund. The bank made a \$100,000 deeply subordinated loan to finance venture capital for entrepreneurial small businesses in low- and moderate-income areas. The vehicle is treated as an equity equivalent investment and is structured so that the bank receives a percentage of the lending credit of the entire Boston Community Capital portfolio each year, according to its proportionate share of the pooled investment.

Zero Stage Capital VI Fund –

Zero Stage Capital is a venture capital partnership, which invests in start up, early stage, and on-going companies. Zero Stage Capital VI, located in Cambridge Massachusetts, is recognized as a Small Business Investment Company (SBIC)

established to provide capital to companies in the early stages of development that are located in the New England area (primarily in Massachusetts).

In 1998, the bank committed \$500,000 towards this fund. Of the \$500,000 commitment, the bank has invested \$375,000.

Qualified Grants

In 1998 and year-to-date 1999 (through December 31, 1999), Boston Private provided grants to 97 qualified organizations totaling \$108,720 for community development. This level of grants is considered adequate. The majority of the grant funds went to organizations supporting affordable housing and community development services throughout its assessment area. The following details some of these grants.

- **Citizen's Housing and Planning Association (CHAPA)**

CHAPA is a non-profit umbrella organization for affordable housing and community development activities in Massachusetts. The grant is in support of the Homepath Collaborative project, a comprehensive training and technical assistance program for non-profit homebuyer counseling agencies.

- **Massachusetts Association of Community Organizations for Reform Now (ACORN)**

This is a grassroots community organization of low and moderate-income families who have come together to improve their communities. ACORN focuses on the empowerment of low and moderate-income people by identifying and researching community issues and developing direct action campaigns to resolve these issues.

- **Massachusetts Association of Community Development Corporations (MACDC)**

The MACDC was established in 1980 as a trade association, which advances the work of non-profit community based development organizations (CDCs). MACDC helps its 66 member CDCs to develop housing, create jobs, provide services and increase self-sufficiency of residents in urban and rural communities throughout Massachusetts.

- **The Women's Institute for Housing and Economic Development**

This organization creates affordable housing and economic opportunities for low-income women and their families by providing technical assistance on housing, business development, access to job training and advanced education. The Institute also works on promoting changes in institutional structures that perpetuate poverty among women and children.

- **Urban Edge Housing Corporation**

Urban Edge is a non-profit, community-based housing developer. It has been developing housing to sell or rent to low and moderate-income families in Jamaica Plain and Roxbury since 1997.

- **Veterans Benefits Clearinghouse, Inc. (VBC)**

VBC was founded in 1977 to provide broad, holistic support for Boston area minority veterans of all wars, with specific focus on the Vietnam era. VBC provides job counseling, medical services, veterans' benefits referral and housing counseling to Boston area minority war veterans.

CONCLUSION (Community Development Investment Test)

Boston Private has demonstrated a high level of qualified investments. The bank has maintained a high level of investing in MHEF limited partnerships, which has resulted in the development of a significant number of affordable housing units. Additionally, the bank continues to maintain an adequate level of qualified corporate grants. Consequently, the bank's performance under the investment test receives a rating of "High Satisfactory".

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes the institution's services.

Retail Banking Services

Boston Private's main office is located at 10 Post Office Square, an upper-income census tract in downtown Boston. One additional full service branch was opened in April 1998 in Wellesley's town center. This branch is also located in an upper-income census tract. As detailed in the description of the institution, the Wellesley branch maintains an Automated Teller Machine (ATM). The bank's limited branch network provides a minimal level of accessibility to all geographies within its assessment area. However, customers do have access to over 900 ATMs located within the Greater Boston area through a correspondent relationship maintained with BankBoston for all deposit and withdrawal services. The ATMs are linked to the CIRRUS, NYCE and XPRESS 24 networks.

The bank's branch hours are Monday through Friday 8:30 a.m. to 5:00 p.m. at both the Boston and the Wellesley offices. The Boston branch has bilingual employees fluent in Spanish.

Boston Private is a participant in Massachusetts Community and Banking Council's (MCBC) Basic Banking Program. The program's purpose is to encourage financial institutions to offer low-cost checking and savings accounts. The bank participates by offering the following low cost checking and savings accounts:

- **Basic Checking:** This account has no minimum balance requirement and no monthly fees. There is a \$10.00 minimum to open the account. There are eight checks/ATM withdrawals allowed. There is a \$1.00 charge for each withdrawal over the allowed eight.
- **Basic Savings:** This account has a \$10.00 minimum balance requirement. There are six free withdrawals per month. There is a \$1.00 bank charge for each withdrawal after the six free transactions. There is also a \$1.00 monthly servicing fee.

Other personal banking services include bank by mail, electronic banking, international banking and bilingual employees.

The bank has a formal Branch Opening and Closing Policy. This policy outlines procedures to be followed should the decision be made to open or close an office. In April 1998, Boston Private celebrated the grand opening of its Wellesley branch located at 336 Washington Street.

Community Development Services

The revised CRA regulation defines a community development service as a service that is primarily for a community development purpose and is related to the provision of financial services. Detailed below are Boston Private's qualified community development services.

Federal Home Loan Bank of Boston (FHLBB) Affordable Housing Program (AHP)-

Boston Private expends considerable resources on making applications, on behalf of various community development organizations, to this affordable housing program. This is a highly competitive funding program in which member banks such as Boston Private are eligible to compete for the grants twice a year. FHLBB uses ten percent of member banks' shareholder profits to fund the program, making this a unique private financing source for affordable housing creation and preservation. Each bank may apply for up to approximately one-quarter of the funds available in a given funding round. Boston Private regularly applies for the maximum amount available, and often is awarded between one and four grants during each competition. As an active sponsor of the grant funding, Boston Private provides the technical expertise necessary, and the long-term responsibilities involved. Boston Private does not charge for the significant expenditure of staff time and resources required.

In 1998 and 1999, the bank was awarded 8 grants totaling \$1,780,000 for several area non-profit organizations that resulted in the creation or preservation of 542 affordable housing units.

The bank also made applications for four other organizations that were not awarded funds. However, these applications included two grants that were funded in the subsequent funding round in 1999. These grants were to Nuestra Comunidad Development Corporation: Sargent Street Homes and the Boston Healthy Homes Improvement Program, both in Roxbury. The applications also included one application that will be resubmitted in the first funding round of year 2000. This request is for \$250,000 for Action for Boston Community Development for the Grove Hall Elderly Home Repair Program Phase II. A fourth applicant, Madison Park Community Development Corporation, did not receive an award and subsequently withdrew its grant request of \$150,000 for the Shawmut Homes in Roxbury.

1998 Awards

- The City of Boston Department of Neighborhood Development was granted \$175,000 for the Boston Cluster Housing/Home Again Initiative to produce 23 new affordable homeownership units on city-owned, vacant land in Dorchester, Roxbury and Mattapan.
- Codman Square Neighborhood Development Corporation was granted \$250,000 for the Erie-Ellington Homes development in the Four Corners neighborhood of Dorchester to build 50 new rental units for very low-income families on vacant city-owned land. The bank also provided a \$1 million construction loan for this important and complicated transaction that includes numerous other funding sources, including the federal Low-Income Housing Tax Credit program, the City of Boston and the Commonwealth of Massachusetts. The Four Corners neighborhood has been an area that has been left behind by the good economic conditions. This new development will help to revitalize as well as stabilize the community.
- St. Joseph's Community was awarded a \$250,000 grant for the St. Joseph's Cooperative, the oldest affordable cooperative housing development in Boston. Located in Roxbury and with a board of directors consisting of low-income tenants, this 137-unit development is in need of significant repairs.
- Action for Boston Community Development (ABCD) was awarded \$250,000 for the Villa Michelangelo development in the North End of Boston. Located adjacent to the historic Old North Church and the Copp's Hill Burying Ground (with tombstones imbedded in its walls), this former public school building is being rehabilitated into 71 units of very low-income, supportive housing for frail elderly. The historic property is being developed in conjunction with the Neighborhood Health Center, and it will offer extensive social services as well as a stop on the historic Freedom Trail.

- Action for Boston Community Development (ABCD) was also awarded a \$250,000 grant for the Grove Hall Elderly Home Repair Program Phase I to make health and safety improvements for 25 very low-income, elderly homeowners in the Grove Hall area of Dorchester. This program is an unusual effort to make key repairs for elderly and minority homeowners who are at risk of losing their homes because of health and safety violations.

1999 Awards

- Tenants Development Corporation (TDC) was awarded \$250,000 for the South End Tenants Housing Phase II (SETH II). This 184-unit affordable rental property in the South End neighborhood of Boston is owned and operated by very low-income tenants that occupy the housing. This scattered site property requires renovation, and the AHP grant forms part of a larger financing plan to carry out the repairs. The grant is a critical resource that will help preserve affordable rental housing in this rapidly gentrifying neighborhood where affordable rental housing is rapidly becoming nonexistent.
- Nuestra Comunidad Development Corporation was awarded \$130,000 towards the development of 22 units in Roxbury. The new homes will be developed on a combination of private and city-owned land that has been vacant for many years and had a severely blighting influence on the neighborhood. Thirteen of the units will be available for moderate-income first time homebuyers and an additional nine units will be rented to low- and moderate-income renters.
- Nuestra Comunidad Development Corporation and the City of Boston's Office of Environmental Health and Department of Neighborhood Development were awarded \$225,000 for the Boston Healthy Homes Improvement Program. This highly innovative program will assist 30 very low-income families in Roxbury and Dorchester in carrying out critical home repairs that are associated with the children in the household being diagnosed with asthma, lead poisoning and/or other home injury related conditions. These neighborhoods of Boston have the highest incidents of reported childhood injuries associated with asthma and lead paint poisoning.

Educational Seminars

- Since the previous examination Boston Private has participated in numerous First Time Home Buyer Seminars, which serve to educate consumers about products available to meet their specific needs. These seminars have been conducted in conjunction with several community organizations including the Metropolitan Boston Housing Partnership (MBHP), Neighborhood of Affordable Housing (NOAH), Nuestra Comunidad and the Massachusetts Affordable Housing Alliance (MAHA).
- A bank Loan Officer has provided small business counseling in 1999 for the Center for Women and Enterprise's First Step Fast Track Program held at Northeastern University.

- The CRA Officer was a speaker and panelist on Affordable Housing Credit Needs at a conference presented by the Assistant Secretary for the U. S. Department of Housing & Urban Development in 1999 in Hartford, Connecticut.
- The bank was a co-sponsor of a major conference in January 1998 on addressing affordable housing issues, "Keys to Housing," organized by Action for Boston Community Development and Citizens Housing & Planning Association.

Involvement in Community Organizations

Boston Private's Trustees, Officers and employees, at all levels, are actively involved with community organizations. Through these involvements, the bank's staff lends their technical expertise, experience and judgment to these organizations. The following are some examples of the employee involvements:

- The bank's CRA Officer is a member of the Massachusetts Housing Investment Corporation (MHIC) Loan Committee.
- The bank invested \$25,000 in the Urban Edge/CDC Tax Equity Credit Program, an innovative economic development pool sponsored by Urban Edge and eight other nonprofit community development corporations (CDCs), which will result in job creation and preservation developments in Roxbury, Dorchester, Mattapan, and Jamaica Plain. The bank's CRA Officer is a member of the program's Investment Advisory Committee.
- The President and Chief Executive Officer of the bank serves on the Board of Directors and has served as Treasurer of the Ten Point Coalition, a group of over 50 churches mobilized to address issues affecting Boston's Black youth and community revitalization concerns.
- The CRA Officer is a member of Board of Directors of the Massachusetts Community and Banking Council (MCBC). The CRA Officer served as the co-chair of the MCBC Affordable Housing Committee, along with the Executive Director of the Jamaica Plain Neighborhood Development Corporation for over two years. As co-chair, she was involved in designing and overseeing a significant research and analysis effort aimed at understanding affordable housing issues in Boston. The bank hosts the committee meetings.
- The CRA Officer is co-chair of the MCBC Small Business/Economic Development Committee. She has served on various sub-committees including one that prepared a directory of public and private financing resources for small businesses in the Greater Boston area. She also was a member of its subcommittee on Equity Resource

Development, which has worked to design the creation of an equity pool for large-scale community development real estate efforts.

- The CRA Officer is a member of the MCBC Affordable Mortgage Lending Committee, which publishes analyses of home lending patterns in the Greater Boston area and guidebooks targeted to low- and moderate-income homebuyers seeking financing and pre- and post-homebuyer counseling. The committee continues to analyze the innovative Soft Second Program, which has been key to assisting low-income
- homebuyers to purchase their first homes, has created an innovative buyer education program targeted at home mortgage scam programs, and monitors key affordable home mortgage issues in the Greater Boston area.
- The CRA Officer has served for two years on the MCBC subcommittee analyzing home mortgage lending to traditionally underserved borrowers and neighborhoods in Greater Boston.
- The CRA Officer and a Mortgage Loan Officer are members of the Latino Homebuyer Subcommittee, which seeks to identify and overcome barriers to homeownership for this population. The CRA Officer is a member of the subcommittee overseeing the annual report of home mortgage lending patterns in Greater Boston. The bank hosts the meetings.
- The CRA Officer is a member of the Board of Directors of the Metropolitan Boston Housing Partnership (MBHP), an established nonprofit organization whose mission is to create and preserve affordable housing and economic opportunity for low-income people.
- The bank's President and CEO is a member of the Special Advisory Committee of the Metropolitan Boston Housing Partnership.
- The bank is a member of the Citizen's Housing & Planning Association (CHAPA), a group that supports the preservation and development of affordable housing. The CRA Officer is a member of the Board of Directors. The CRA Officer participated in the committee developing the new state low-income housing tax credit program.
- The CRA Officer is a member of the Rogerson House Communities Board of Overseers. This nonprofit is an active developer of affordable housing and provides extensive social services.
- The CRA Officer is a member of the Board of Overseers of the historic Shirley-Eustis House in the Dudley neighborhood of Roxbury. The CRA Officer also serves on the development committee.
- The CRA Officer served as a member of the Massachusetts Association of Community Development Corporation's (MACDC) Small Properties Working Group, which worked to design ways in which nonprofit developers and owners of small-scale

affordable housing can effectively finance, develop and manage this housing. MACDC promotes nonprofit community-based development organizations in addressing the needs of low-income and minority communities of Massachusetts.

- The CRA Officer was co-chair of the 1998 and 1999 annual events for the Massachusetts Senior Action Council, an affordable housing and health care advocacy organization. She also serves on the Housing Advisory Committee, which is hosted at the bank.
- The CRA Assistant serves on the Board of Directors of the Codman Square Neighborhood Development Corporation and is Chair of the Loan Committee.
- The CRA Assistant is a member of the Grove Hall Board of Trade, serves as Executive Secretary of the Executive Committee, and Chair of the Marketing Committee. She also organized its annual event program in 1998 and 1999.
- The CRA Assistant is a member of the Grove Hall Neighborhood Development Corporation.
- A bank Loan Officer is a member of the Neighborhood of Affordable Housing (NOAH) Neighborhood Housing Services of America Loan Committee.
- A bank Loan Officer was a member of the Board of Directors and Chair of the Loan Committee of the Christian Economic Coalition, a non-profit organization that trains community residents for cooperative entrepreneurship.
- The bank is an active participant in the initiatives of the Boston Empowerment Center and a bank Loan Officer serves on the Small Business Loan Committee.
- A bank Loan Officer serves as a member of the Advisory Board of the Massachusetts Small Business Development Center Network's Minority Business Assistance Center at the University of Massachusetts, Boston.
- A bank Loan Officer serves on the Property Acquisition and Development Committee of the Boston Chapter of Habitat for Humanity.
- A bank loan officer is a member of the Advisory Committee for the National Academy of Finance at Hyde Park High School in Boston. The Advisory Committee provides direction to the Academy and assists with curriculum development, internships and fundraising. In 1998, a Hyde Park High School student was an intern at the bank. In 1999, two students became interns at the bank.

CONCLUSION (Service Test)

As depicted above, Boston Private's systems for delivering retail-banking services are considered adequately accessible to geographies and individuals of different income

levels in its assessment area, including those of low and moderate-income. The bank's trustees, officers and employees have provided an exceptional number of service activities primarily for community development purposes and related to the provision of financial services. The Board and management's commitment of resources and expertise to numerous community development non-profit organizations is laudable. In addition to the numerous activities, the considerable resources expended on making applications on behalf of various community development organizations to the Federal Home Loan Bank Affordable Housing Program, and the success of these undertakings is especially noteworthy. Therefore, the bank's service activities receive a rating of "Outstanding".

APPENDIX A

METROPOLITAN STATISTICAL AREAS (MSAs)

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE BOSTON MA-NH MSA:

All of the communities within the bank's assessment area as well as its branches are located in the Boston MSA.

The bank's qualified investments are all targeted towards the Boston MSA.

All of the bank's community development lending activities were originated within the bank's assessment area which is within the Boston MSA.

The majority of HMDA reportable loans were originated in the Boston MA-NH MSA. Additionally, the majority of small business lending also took place in this MSA. The majority of these originations are to businesses with gross annual revenues of \$1 million or less with the vast majority having original amounts of \$100,000 or less. Once again, this indicates the bank's willingness to address the credit needs of small businesses.

The bank's donations are targeted to community organizations located within the Boston MSA.

Again, the conclusions reached regarding the bank's operations within this area mirror those reached for the whole assessment area. The amount and distribution of home mortgage and small business loans in the Boston MSA demonstrates adequate responsiveness to credit needs. The bank's service activities within the Boston MSA are very good.

APPENDIX B

SCOPE OF EXAMINATION

Boston Private Bank's assessment area is defined as five communities, all located in the Boston MSA. The institution's CRA performance was reviewed using the large bank examination procedures. The time period covered in this examination was January 1, 1998 through November 30, 1999, using data available.

All loans recorded on the banks 1998 and year-to-date 1999 HMDA LAR were included in the evaluation of the bank's lending performance. In addition, all loans on the 1998 and year-to-date 1999 Small Business Loan Register (as defined under the new data collection requirements of the revised CRA regulation) were included in the evaluation of the bank's lending performance. The bank performance relating to qualified community development lending, investments and services were also evaluated.

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from PCI, CRA WIZ. The examination also included a review of the bank's public file, which contained no negative CRA related comments.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

BOSTON PRIVATE BANK AND TRUST COMPANY

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JANUARY 11, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.